The effect of consumer proximity and media exposure on corporate social responsibility disclosure

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Abstract: The purpose of this study is to determine the effect of consumer proximity and media exposure on corporate social responsibility (CSR) disclosure at several sector companies listed on the Indonesian Stock Exchange. We use companies on the sectors of food and beverages, mining, and properties listed on the Indonesian Stock Exchange in 2017. We find that consumer proximity and media exposure had a positive effect on CSR disclosure, and control variables of company leverage and size had similar positive effects. Overall, our results indicate that the closeness of the company with consumers indirectly formed by its products can make companies give more disclosure of their CSR activities. Then, media exposure is proved to have significant effect on the CSR disclosure of the companies. It drives the companies to give information to all stakeholders about their business decision making. This research demonstrates that consumer proximity can make a company more disclosure of their CSR activities. Then, the important role from the media can give information about their business decision making as information to stakeholders.

Keywords: consumer proximity; media exposure; corporate social responsibility; CSR.

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1 Introduction

In this era, corporate social responsibility (CSR) has become a growing issue in society. The emergence of this concept is due to demands regarding the role and social responsibility of the company on the condition of society and the environment. Firms now face high societal expectations to act responsibly and contribute to the public well-being (Margolis and Walsh, 2003; Porter and Kramer, 2011). For instance, The Lapindo Brantas Ltd. mudflow case is an example of a lack of CSR that has caused damage to the environment in Sidoarjo, Indonesia (Detik, 2017). Then, Nike company denied the responsibility for the alleged inhumane conditions of its production from the early 1990s until 2005, then suddenly disclosing a list of its global factories and suppliers in April of that year (Cho et al., 2018). The Spanish clothing retailer Zara has indicated the slave-work condition of its workshops in Brazil. One of them revealed that the workers have a daily shift of at least 12 hours, earning an average of US $569 per month based on one of Zara's outsourcing factories, which tracked working conditions (Antunes, 2011). While the handwashing campaign program (Lifeboy) and the dental and mouth health education program (Pepsodent) from Unilever Ltd. is an example of CSR implementation that shows social care and dedication to the environment in Indonesian companies (Unilever, 2017). Companies that generally, aim to obtain high profitability now also need to pay attention to their social responsibility side to get a good image from the stakeholders.

A good and healthy environment is the basic right of every citizen mandated in the Constitution of the most civilised countries so that it has become an obligation for a company to manage its operations properly and not to disturb the components of community life around it. This obligation is common in Indonesian society. But companies in Indonesia still have problems in fulfilling this obligation because of the lack of enforcement of regulations and specific guidelines on CSR (Yuliskayani and

Damayanthi, 2018), e.g., labour regulations between companies and their employees, or environmental pollution caused by company activities. In contrast, CSR disclosure for companies in Indonesia is still voluntary, even though the existence of CSR activities is beneficial to the public; according to Patten (1991), they "can increase capital access, improve financial performance, reduce operating costs, improve image and reputation, increase sales and customer loyalty, and increase productivity and quality." Excavating the potential of CSR disclosure that has not been well realised by the company is the purpose of this study, which aims to find out the factors that influence CSR disclosure.

Factors that play a role behind CSR disclosure of a company that will be used in this study are consumer proximity and media exposure. According to Wang et al. (2013), consumer proximity is the closeness of the end consumer to a product or service. The concept of consumer proximity refers to González-Benito and González-Benito (2006) as the 'position in the value chain' or 'the proximity to the final consumer within the supply chain'. Consumer proximity is related to the perspective of consumer visibility, were companies whose goods are consumed directly tend to get more attention from end consumers. Industries that are assumed to have consumer proximity include manufacturing, food, textiles, household goods, telecommunications services, food and beverage retailers, and finance. All industries that are not included in the above categories are assumed to have no closeness to consumers (Branco and Rodrigues, 2008). The indirect closeness between consumers and companies created through the consumed goods products can increase corporate awareness of the need to disclose CSR.

Social activities carried out by companies are often published through various media, the media being a means of corporate social and environmental responsibility information. The media not only plays a passive role in the form of institutional norms, but the media also has an active role by providing a reporting history and compiling it to illustrate the value of a company. Along with the development of the internet, companies can innovate using web-based media to uncover CSR activities carried out by companies. The use of web-based media or media exposure can help the communication process and the publication process of the company's CSR activities.

Previous research that discusses the influence of consumer proximity, media exposure, leverage, and company size with CSR disclosure shows mixed results. Yuliskayani and Damayanthi (2018) stated that consumer proximity and media exposure had a positive effect on CSR disclosure in Indonesia. It means that if products are consumed directly by consumers or CSR activities are reported by web media, the companies will be inclined to make CSR disclosures. Likewise, Wang et al. (2013) examined the company listing of the Shanghai Stock Exchange (SSE) in China during 2008 and 2009; they found that media exposure had a positive effect on CSR disclosure. Branco and Rodrigues (2008) surveyed through the company listing of the Portuguese Stock Exchange in 2003 and revealed that companies that produce goods consumed by the customers are more likely to produce social visibility. They indeed found that the more proximity the firm has to the customers or the end-users, the greater its social visibility and the subsequent CSR disclosure. Cho et al. (2018) investigated 200 largest manufacturing firms of textiles and wearing apparel located in South Korea and reported that consumer proximity as the moderating variable enhanced the positive impact of CEO education and functional level on corporate environmental performance (CEP). According to Alfiya (2020), from Indian researchers note that small and medium-sized enterprises should be socially responsible and for small and medium sized enterprises, environmental sustainability should be the most important.

In contrast, research conducted by Nur and Priantinah (2012) shows different findings wherein the media exposure does not have a significant effect on the CSR disclosure. Almilia (2008) revealed that even though a company's website can used as a communication means of financial reporting, there is no standardised reporting quantity and quality between companies. Also, given the rapid use of the internet among the public, a company should consider using website to communicate CSR program (Harmoni, 2011).

This study intends to fill the research gaps discussed above by analysing data sampled from two categories of companies based on consumer proximity. The first part surveys companies in the food and beverage industry and banking sectors, while the second part investigates companies in the property and mining sectors. The companies in the first part are considered to have goods/services being closer to the community than those in the second part are. The study collects the data from the Indonesia Capital Market Directory (ICMD), Indonesia Stock Exchange (http://www.idx.co.id), and other company web pages in the 2017 period.

The first contribution of this study is to introduce new variables that have been rarely addressed in previous research; in particular, consumer proximity and media exposure. Second, because CSR disclosure in Indonesian companies is voluntary disclosure, this study intends to analyse the extent of the influence of consumer proximity and media exposure on the degree of CSR disclosure in the companies under study. Third, the study further compares the results with prior studies on Spanish companies (García-Sánchez et al., 2014; Reverte, 2009), Indonesia companies (Yuliskayani and Damayanthi, 2018), Chinese companies (Wang et al., 2013). Finally, this research confirmed that a company could pay more attention to consumer proximity and media exposure so that the disclosure of CSR can be maximised. The remainder of this study is organised as follows. Section 2 presents literature review and hypotheses development. Section 3 discusses the research method. Sections 4 and 5 discuss, conclude, and offer suggestions for future research.

2 Literature review and hypotheses development

2.1 Stakeholder theory

Stakeholder theory states that companies are entities that not only operate for their interests, but the company is also required to be able to provide benefits for their stakeholders (stakeholders). Thus, the existence of a company cannot be separated from the influence and support provided by corporate stakeholders.

Stakeholders are stakeholders, namely parties or groups that have interests related to the company, both directly and indirectly, to the existence or activities of the company, and therefore these groups influence and are influenced by the company. Stakeholders include stockholders, creditors, employees, customers, suppliers, public interest groups, and government bodies (Roberts, 1992).

The company needs to seek support from stakeholders and make it a corporate activity because support from stakeholders can help ensure the survival of the company. Companies that have the power of stakeholders will have a more significant effort to adapt. Corporate CSR disclosure is a form of dialogue or a way of communication between the company and its stakeholders. The company focuses on seeking profit and fulfil the interest of other parties. It is exemplified by improving employee welfare, management, ensuring good relations with certain community groups, and others. Therefore, the organisation has accountability to its stakeholders (Nur and Priantinah, 2012).

The existence of CSR is expected that the needs and desires of the stakeholders can be accommodated properly. Then the harmony between the company and its stakeholders can be achieved.

Pressure from investors as primary stakeholders, makes company management must disclose their corporate responsibilities in addition to disclosure of financial performance, this shows there is investor awareness of social issues such as human rights, education, labour, and the environment as important elements that must be disclosed in the annual report company. Pressure from the community makes the company pay more attention to its production activities that interact directly with the environment around its business entities. The company must act following the interests of the community, without violating the rights of the community around the company.

The World Business Council for Sustainable Development (WBCSD) defines CSR, as:

> "Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

The statement made by WBCSD is a form of commitment for the company to carry out its business operations consistently in an ethical manner by existing regulations and contribute to improving the economy, together with improving the welfare of the lives of employees and their families and the local community.

CSR classifies corporate commitment into three aspects, namely economic, social, and environmental. Increased corporate awareness of the importance of corporate survival can be demonstrated through CSR activities that are in a relationship between the company and the community and the environment in which a company operates.

2.2 Disclosure of CSR

The Association of Chartered Certified Accountants (ACCA) states that CSR is disclosed in a report called sustainability reporting. Sustainability reporting is reporting on economic, environmental and social policies, the influence and performance of an organisation and its products in the context of sustainable development. Sustainability reporting includes reporting on economic, environmental and social influences on organisational performance. One body that actively issues guidelines on environmental disclosure for companies is the Global Reporting Initiative (GRI). In the GRI G4 Guideline Standard used in this study, performance indicators are divided into three main components, namely economic, environmental, and social which include human rights, labour and work environment practises, product responsibilities, and society.

2.3 Consumer proximity

Consumer proximity is the proximity of consumers to a product or service product. According to Branco and Rodrigues (2008), consumer proximity is related to the perspective of consumer visibility, where companies that produce goods that are consumed are more likely to produce more social visibility. Social visibility is the concern of outside parties on goods produced by a company. Industries that are assumed to have consumer proximity are classified in the high profile category, including manufacturing, food, textiles, household goods, telecommunications services, food and beverage retailers, and finance. All other industries are assumed to have no closeness to consumers and are included in the low profile category. Goods that are included in the category of consumer proximity because these goods can be directly reached and directly benefited by final consumers.

2.4 Media exposure

The media has a role in encouraging management in carrying out CSR disclosure in every CSR activity carried out by the company. The company's CSR activities are beneficial to gain trust and legitimacy from the stakeholders. Communication of CSR through various media can bring a positive image of a company in the eyes of the public, so the communication function in CSR management is very important. To communicate CSR activities, companies can express these activities with various media. Three media are usually used by companies as a means to disclose the company's CSR activities, namely through TV, newspapers, and the internet (company web pages). In the current era, internet media (web) is an effective media for CSR disclosure due to the use of the internet, which has been highly developed in the community. By communicating CSR through these media, it is expected that social activities carried out by the company can be known by the public. In its implementation, CSR communication becomes a part of the process of building institutions as well as forming accepted norms and legitimacy of CSR practises.

2.5 The effect of consumer proximity on CSR disclosure

Consumer proximity in a product will encourage a company to disclose CSR because of the social visibility of the product. The social visibility causes indirect closeness between the company and consumers because the goods produced by the company are consumed directly by end consumers, so the greater the possibility of the name of the company producing the goods to be better known by the public. Also, companies with high social visibility are more vulnerable to criticism and oversight by the general public so the company will try to maintain its reputation by disclosing CSR activities (Campbell et al., 2006). Research by Yuliskayani and Damayanthi (2018), Branco and Rodrigues (2006), and Widiawan et al. (2017) shows that there is a positive influence between consumer proximity and CSR disclosure, which means the closer an industry is to consumers, the greater the responsibility the company answered to reveal its CSR. Based on the above, the first hypothesis is formulated as follows:

H1 Consumer proximity has a positive effect on CSR disclosure.

2.6 The effect of media exposure on CSR disclosure

If the company wants to gain trust through CSR activities, then the company must have the capacity to meet the needs of stakeholders and communicate with stakeholders effectively. The communication function becomes very basic in CSR management because CSR communication through the media will enhance the company's reputation in the eyes of stakeholders. Disclosure about CSR activities carried out by the company and published on the company's web page indicates that the company wants to expose its CSR activities more so that the public can see it. So with this exposure, there are indications that the company has been driven to make CSR disclosures. Research by Branco and Rodrigues (2008), Widiawan et al. (2017) and Reverte (2009) showed a positive influence between media exposure and CSR disclosure. Based on previous research and the logic presented, the two hypotheses are formulated as follows:

H2 Media exposure has a positive effect on CSR disclosure.

3 Research method

3.1 Population and sample

This type of research is quantitative research with a content analysis approach and uses secondary data in the form of annual reports of companies in Indonesia in 2017 obtained from the Indonesia Capital Market Directory (ICMD), website (http://www.idx.co.id), and company web pages. The population used in this study is companies listed on the Indonesia Stock Exchange for 2017. The sampling technique is done by purposive sampling with the following criteria:

1. companies are in the food and beverage, banking, property, and mining industries listed on the Indonesia Stock Exchange on in 2017
2. the company published an annual report in 2017
3. the company has a web page that can be accessed from November 23 to December 30 in 2018, because CSR related information reported by the company is an activity that has been carried out in a previous year.

The dependent variable is CSR disclosure measured using indicators from the GRI G4 Sustainability Reporting Guidelines which contains 91 CSR disclosure items.

$$\text{CSR disclosure index} = \frac{\text{Number of CSR information items disclosed}}{91\,\text{CSR information items}}$$

The independent variables in this study are consumer proximity and media exposure. Consumer proximity divides companies into high profile and low profile. High profile companies are companies whose goods are consumed directly by end consumers, the sector companies included in the high profile category are household goods and textiles, beverages, food and medicines, telecommunications services, electricity, gas, water, and banks. This division is due to the consideration of the consumer proximity variable which divides companies whose goods are included in the category of being close to the community while companies that are not in the sector are categorised as low profile companies.

The dummy variable is used in measuring consumer proximity, namely by giving a value of 1 for high profile companies and 0 for low profile companies. The measurement method has been carried out in previous studies by Branco and Rodrigues (2008), Dias et al. (2016) and Yuliskayani and Damayanthi (2018).

Media exposure is related to disclosures made by the company and published through news on the company's web pages. To measure media exposure is also done with a dummy variable, namely by giving a value of 1 for companies that disclose CSR activity news on company web pages and 0 for companies that do not disclose news CSR activities on company web pages. This measurement method has been carried out in previous studies by Anggreni and Budiasih (2016) and Nur and Priantinah (2012).

3.2 Control variable

Control variables are used in this study to help compare companies in terms of financial conditions, through leverage and company size. Leverage is an indicator that can show the debt that a company has. Leverage can be proxied using a debt equity ratio (DER) ratio. The DER ratio as in Purba and Yadnya (2015) can be formulated as follows:

$$DER = \frac{Total\ debt}{Total\ equity}$$

While the size of the company that shows the size of a company can be measured using the total value of assets. The size of the company is formulated as follows: Company size = total value of assets

3.3 Data analysis method

Before running the multiple regression analysis, we have to ensure that our regression function qualifies for the classical assumption test. Specifically, the four classical assumption tests are normality, multicollinearity, and heteroskedasticity test.

The following is the multiple linear regression equation to test our hypotheses:

$$CSDRi = \beta_0 + \beta_1 Con\,\mathrm{Pr}\,ox_i + \beta_2 MediaExp_i + \beta_3 Lev_i + \beta_4 Size_i + \varepsilon_i$$

Information:

β_0	constant
CSDR	disclosure of CSR
β_{1-4}	regression coefficient
ConProx	consumer proximity
MediaExp	media exposure
Lev	leverage
Size	company size
i	the i^{th} company
ε	error term.

4 Discussion

The sample in this study are companies in the food and beverages, banking, property, and mining sectors that were listed on the Indonesia Stock Exchange in 2017. There are 178 companies listed on the Indonesia Stock Exchange in the year. However, companies that met the criteria were 160 companies.

List of research sample acquisition are as follows.

Table 1 Obtaining research samples

No.	*Sample selection criteria*	*Total*
1	Companies that are in the sector and are listed on the Indonesia Stock Exchange in 2017	178
2	Companies that do not publish their annual report in 2017	(10)
3	Companies that do not have company-owned web pages	(8)
Total sample		160

Table 2 Descriptive statistic

Variable	*N*	*Minimum*	*Maximum*	*Mean*	*Std. deviation*
CSRD	160	0.033	0.231	0.101	0.038
ConProx	160	0	1	0.46	0.500
MediaExp	160	0	1	0.24	0.431
Lev	160	0.03	1.72	0.534	0.271
Size	160	80,235	1,126,248,442	44,118,310	151,297,755

Table 2 presents result the CSRD variable has a minimum value of 0.033 and a maximum value of 0.231 and an average value of 0.101, indicating that the sample companies have an average disclosure of 10.1% of the 91 CSR disclosure items, which means the average CSR disclosure in Indonesia is still low. We find that ConProx has an average value of 0.46 or 46% companies have consumed directly by end consumers. Whereas MediaExp has an average value of 0.24 or only 24% company published through the news on the company's web pages.

Lev has a minimum value of 0.03 and a maximum value of 1.72 and an average value of 0.534, indicating that the average between total debt and total equity in the sample company is 0.534. Size has a minimum value of 80,235 and a maximum value of 1,126,248,442 and an average value of 44,118,310. It implies that the average value of the sample company's assets is low when compared with the maximum company's assets.

Before running the multiple regression analysis, we have to ensure that our regression function qualifies for the classical assumption test. Specifically normality, multicollinearity, and heteroskedasticity tests. From normality test, based on asymp value sig. (2-tailed) of 0.20 or greater than the value of α (= 0.05), it can be concluded that the data are normal and pass the normality test. Then the VIF value of the four variables is less than 10. So, it can be concluded that no symptoms occur and pass the multicollinearity test. In this study, heteroscedasticity testing uses the Glejser test. Sig values of the four independent variables above 0.05, it can be concluded that there are no symptoms of heteroscedasticity.

Table 3 report result of the regression output, shows the significant value of the ConProx variable is significant in 1% and a regression coefficient value of 0.072 which indicates that consumer proximity has a significant positive effect on CSR disclosure so that the first hypothesis is accepted. Furthermore, the significant value of the MediaExp variable is significant in 5% and the regression coefficient value is 0.057, which indicates the media exposure has a significant positive effect on CSR disclosure so that the second hypothesis is also accepted.

Table 3 Regression output

Variable	*Coefficient*	*Std. error*
(Constant)	–1.045***	0.020
ConProx	0.072***	0.021
MediaExp	0.057**	0.023
Lev	0.107***	0.034
Size	2.924E-10***	0.000
Adj R^2	0.351	
F stat	0.000	
N	160	

Note: ***, **, * indicate significance at the 1%, 5% and 10% respectively.

While the control variable of leverage has a significant in 1% and a coefficient value of 0.107 indicated that leverage has a significant positive effect on CSR disclosure. The control variable of company size shows a significant value of 1% which means that company size has a significant positive influence on CSR disclosure.

From this table, it is known that the F statistic is significant, so it can be interpreted as the variable of consumer proximity, media exposure, leverage, and company size which together affect the disclosure of CSR. From this table, it can be seen the R square value of 0.367 which means the four independent variables can explain the dependent variable by 36.7% while the remaining 63.3% is explained by other variables not included in this study.

Based on the analysis, it is known that the significance value for the ConProx variable is significant in 1%, so that the first hypothesis in this study is accepted. The regression coefficient of 0.072 indicates the positive influence of consumer proximity on CSR disclosure. We argue that companies that fall into the consumer proximity category are more active in carrying out CSR disclosures. So the closeness of the company indirectly with consumers formed through its products can make a company more disclosure of their CSR activities. The results of this study support research from Yuliskayani and Damayanthi (2018) and Widiawan et al. (2017) which states that the closer an industry is to consumers, the greater the responsibility for disclosing CSR. Furthermore, companies in the high profile category will pay more attention to the perspectives of their stakeholders. Thus, it can be said that there is a positive influence between consumer proximity on CSR disclosure.

The MediaExp variable is significant in 5% so that the second hypothesis in this study was accepted. The regression coefficient of 0.057 indicates the positive influence of media exposure on CSR disclosure, meaning companies that do media exposure are more interested in doing CSR disclosure. We find CSR disclosure through company web pages can indicate that the company has been more active in disclosing CSR activities. The results of this study support research from Reverte (2009) which states that media exposure is a factor that has the potential to influence a company's CSR disclosure because the media can help shape the company's image in the eyes of the public and the company wants to look good in the eyes of the stakeholders. Refers to Lindgreen et al. (2008), it can be said of the positive influence of media exposure on CSR disclosure. More visible companies, such as listed and multinational companies, receive greater media attention. This means that they should be careful with their corporate image and, especially, promote CSR activities related to investors, the environment and philanthropy.

Stakeholder theory can be related to consumer proximity and media exposure due to the influence of social visibility from customers or external parties as secondary stakeholders and the existence of indications from the company to stakeholders to show the activities carried out by the company whether it has had a positive impact on the environment. Activities that have a positive impact on the environment have shown that the company cares about its stakeholders. Consumer proximity and media exposure that connects the company with stakeholders shows a relationship between the company and stakeholders.

Based on GCG theory, the concept of GCG consists of transparency, accountability, responsibility, independence, and fairness; Companies should take the initiative to disclose not only the problems required by legislation but also important for decision-making by shareholders, creditors and other stakeholders. Because one objective of disclosure is to minimise risk (Novandi et al., 2018). Companies must comply with legislation and carry out the responsibility to society and the environment, to maintain business continuity in the long-term and get recognition as an excellent corporate citizen (Novandi et al., 2018).

While the leverage control variable has a significance value which means that leverage is significantly positive in influencing CSR disclosure. The control variable of company size has a significance value, which means that the size of the company is significantly positive even though it is small in influencing CSR disclosure. Refers to Adams et al. (1998) that identifies factors that influence all types of social disclosures from six European countries. The results indicate that company size, influence corporate social reporting patterns. Furthermore, Sulistiawan and Rudiawarni (2017) explain that small (large) firms tend to produce higher (lower) volatility. With the same information content, information from small firms will bring bigger reactions from the market than those from large firms. This explanation answers the asymmetry impact of accruals to risk.

5 Conclusions

Based on the results of the analysis, the following conclusions can be drawn: consumer proximity and media exposure have a positive effect on CSR disclosure. Whereas for company leverage and size can be used as control variables in assessing the effect of consumer proximity and media exposure on CSR disclosure.

This paper seeks to analyse the influence of consumer proximity and media exposure on the CSR disclosure practises. This research demonstrates that the closeness of the company indirectly with consumers formed through its products can make a company more disclosure of their CSR activities. There is a positive influence between consumer proximity and CSR disclosure, which means the closer an industry is to consumers, the greater the responsibility the company answered to reveal its CSR. Furthermore, companies in the high profile category will pay more attention to the perspectives of their stakeholders. Then, the important role from the media can give information about their business decision making as information to stakeholders. Company should be careful with their corporate image and, especially, promote CSR activities related to investors, the environment and philanthropy. CSR disclosure through company web pages can indicate that the company has been more active in disclosing CSR activities.

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